

**MUNISING PUBLIC SCHOOLS  
MUNISING, MICHIGAN**

**FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Munising Public Schools  
Munising, Michigan 49862

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools, Munising, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Munising Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Munising Public Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools, as of June 30, 2006, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2006, on our consideration of the Munising Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 33 and 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Munising Public Schools  
Munising, Michigan 49862

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Munising Public School's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 25, 2006

## Munising Public Schools

### Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Munising Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 12.

#### FINANCIAL HIGHLIGHTS

- Net assets for Munising Public Schools as a whole were reported at \$1,206,549 comprised of 100% governmental activities.
- During the year, Munising Public Schools expenses were \$8,047,751, while revenues from all sources totaled \$8,308,057, resulting in an increase in net assets of \$260,306.
- The general fund reported an increase of \$157,129 before other financing sources (uses). This is \$212,320 greater than the forecasted decrease of \$55,191. This was a result of revenues being \$108,577 higher and expenses being \$103,743 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$7,094,425 and budgeted expenditures of \$7,149,616.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Munising Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Munising Public Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our

## Management's Discussion and Analysis (Unaudited) (Continued)

students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2006:

<b>Table 1</b>		
<b>Net Assets</b>		
	Governmental Activities – 2006	Governmental Activities – 2005
Current and other assets	\$3,423,995	\$3,813,497
Non-current assets	4,790,992	4,988,087
Total Assets	8,214,987	8,801,584
Current liabilities	1,201,634	1,371,375
Long-term liabilities	5,806,804	6,483,966
Total Liabilities	7,008,438	7,855,341

## Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities – 2006	Governmental Activities – 2005
Net Assets:		
Invested in capital assets, net of related debt	\$(631,079)	\$(1,066,192)
Restricted	335,052	534,803
Unrestricted	1,502,576	1,477,632
Total Net Assets	<u>\$1,206,549</u>	<u>\$946,243</u>

The School District's net assets were \$1,206,549 at June 30, 2006. Capital assets, net of related debt totaling \$(631,079), compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$1,502,576 was unrestricted.

The \$1,502,576 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2006 and 2005.

**Table 2**  
**Change in Net Assets**

	Governmental Activities – 2006	Governmental Activities – 2005
<b>Revenues</b>		
Program revenues:		
Charges for services	\$258,195	\$265,155
Operating grants and contributions	939,559	961,302
Capital grants and contributions	-	-
General revenues:		
Property taxes	1,913,195	1,922,258
State sources not restricted to specific program	5,022,676	4,963,439
Investment earnings	133,788	111,332
Miscellaneous	40,644	249,839
Total Revenues	<u>8,308,057</u>	<u>8,473,325</u>
<b>Program Expenses:</b>		
Instruction	4,116,081	3,987,437
Supporting services	2,734,039	2,451,057
Community services	-	547
Custody and care of children	-	-
Payments to other governmental agencies	7,607	15,013
Facilities acquisitions	7,140	216,957
Food service activities	295,320	315,661
Athletic activities	168,347	156,244
Public Library activities	65,627	58,812
Interest on retirement of debt	259,894	613,211
Depreciation – unallocated	393,696	400,764
Total Expenses	<u>8,047,751</u>	<u>8,215,703</u>
Increase (decrease) in net assets	<u>260,306</u>	<u>257,622</u>
Net assets, beginning	946,243	688,621
Net Assets, Ending	<u>\$1,206,549</u>	<u>\$946,243</u>



## Management's Discussion and Analysis (Unaudited) (Continued)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$8,047,751. Certain activities were partially funded from those who benefited from the programs \$258,195 or by other governments and organizations that subsidized certain programs with grants and categoricals \$939,559. We paid for the remaining "public benefit" portion of our governmental activities with \$1,913,195 in taxes, \$5,022,676 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$260,306.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of \$(154,549).
- Depreciation charged to expense of \$(393,696).
- Purchase of capital assets in the amount of \$201,264.
- Principal payment on debt in the amount of \$584,488.
- Other miscellaneous transactions of \$(43,057), amortization of refunding bond transactions.
- Change in compensated absences \$(20,258).

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**  
**Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
Instruction	\$4,116,081	\$3,342,206
Supporting services	2,734,039	2,734,039
Interest on retirements	259,894	253,382
Food service activities	295,320	(9,272)
Athletic activities	168,347	112,310

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$2,872,062, a decrease \$(154,549) from the beginning of the year.

The decrease of \$154,549 in the combined fund balance is the net effect of an increase in the General Fund Balance of \$44,819 and a decrease in the Debt Fund Balance of \$199,751. The decrease in the Debt Fund is due to the reduction in the resources necessary for the payment of general long-term debt principal, interest, and related costs for the 1978 Serial Bonds. The final payments from this investment will be made during the 2006-07 fiscal year to pay the remaining debt for the 1978 Bonds.

## Management's Discussion and Analysis (Unaudited) (Continued)

### General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$449,138, which is an immaterial increase compared to the original budget.

The largest increase was to the state revenue. The two main factors influencing the increase were student enrollment and declining enrollment funding. The district's actual student enrollment numbers were better than the projections used for estimating state aid. Also, the original budget did not include the "Declining Enrollment Funding" that was approved by the State of Michigan after July 1<sup>st</sup>.

- Budgeted expenditures were increased by \$287,418 which is also an immaterial increase compared to the original budget.

The impacted areas included increases to the expenditures for gasoline and natural gas, salaries and benefits, additional textbooks, grant expenditures, a new van and replacement of two computer labs.

### Capital Asset and Debt Administration

#### **Capital Assets**

At June 30, 2006 and 2005, the School District had \$4,746,303 and \$4,938,735, respectively, invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End (net of depreciation)**

	2006	2005
Land	\$167,626	\$167,626
Land improvements	79,515	78,768
Buildings	3,787,046	3,925,243
Equipment	509,238	593,784
Vehicles and buses	202,878	173,314
Construction-in-progress	-	-
Totals	\$4,746,303	\$4,938,735

The reduction in capital assets from 2005 to 2006 was mainly due to the depreciation of buildings and equipment.

We anticipate capital additions for the 2006-2007 fiscal year will be comparable to the 2005-2006 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

## Management's Discussion and Analysis (Unaudited) (Continued)

### **Debt**

At June 30, 2006 and 2005, the School District had bonds outstanding as depicted in Table 5 below.

<b>Table 5</b>		
<b>Outstanding Debt at Year-End</b>		
	Governmental Activities – 2006	Governmental Activities – 2005
General obligation bonds	\$4,964,754	\$5,549,242

There were no new additions or long-term debt in this fiscal year. We present more detailed information about our long-term debt in the notes in the financial statements.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2007 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2007 fiscal year budget was adopted in June 2006, based on an estimate of students that will be enrolled in September 2006. Approximately 72 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2006-2007 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2007 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Munising Public Schools, 411 Elm Street, Munising, Michigan 49862.

**Munising Public Schools**

**Statement of Net Assets**

**June 30, 2006**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 2,029,327
Investments	242,909
Receivables:	
Accounts receivable	20,531
Delinquent property taxes	3,964
Due from other governmental units	1,072,141
Inventories	55,123
Prepaid expense	-
<b>TOTAL CURRENT ASSETS</b>	<b>3,423,995</b>
<b>Non-current assets:</b>	
Unamortized bond issue costs	44,689
Land and construction in progress	167,626
Capital assets	12,615,782
Less accumulated depreciation	(8,037,105)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,790,992</b>
<b>TOTAL ASSETS</b>	<b>8,214,987</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	11,048
Accrued liabilities	519,458
Deferred revenue	21,427
Current portion of long term debt obligations	649,701
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,201,634</b>
<b>Non-current liabilities:</b>	
Non-current portion of employee benefit obligations	1,034,434
Non-current portion of long term debt obligations	4,315,053
Deferred gain and premium on refunding bonds	457,317
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,806,804</b>
<b>TOTAL LIABILITIES</b>	<b>7,008,438</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	(631,079)
Restricted:	
Debt Service	335,052
Unrestricted	1,502,576
<b>TOTAL NET ASSETS</b>	<b>\$ 1,206,549</b>

The accompanying notes are an integral part of these financial statements.

**Munising Public Schools**

**Statement of Activities**

**For the Year Ended June 30, 2006**

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 4,116,081	\$ -	\$ 773,875	\$ -	\$ (3,342,206)
Supporting services	2,734,039	-	-	-	(2,734,039)
Community services	-	-	-	-	-
Custody and care of children	-	-	-	-	-
Payments to other governmental agencies	7,607	-	-	-	(7,607)
Facilities acquisitions	7,140	-	-	-	(7,140)
Food service activities	295,320	145,420	159,172	-	9,272
Athletic activities	168,347	56,037	-	-	(112,310)
Public library activities	65,627	56,738	-	-	(8,889)
Interest on retirement of debt	259,894	-	6,512	-	(253,382)
Depreciation - unallocated	393,696	-	-	-	(393,696)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,047,751</b>	<b>258,195</b>	<b>939,559</b>	<b>-</b>	<b>(6,849,997)</b>
<b>General revenues:</b>					
Taxes					
Property taxes, levied for general purposes					1,283,835
Property taxes, levied for debt services					629,360
Federal and State aid not restricted to specific purposes					
General					5,022,676
Interest and investment earnings					133,788
Miscellaneous					40,644
Transfers					-
<b>TOTAL GENERAL REVENUES</b>					<b>7,110,303</b>
<b>CHANGES IN NET ASSETS</b>					<b>260,306</b>
Net Assets , July 1					<u>946,243</u>
<b>NET ASSETS, JUNE 30</b>					<u><b>\$ 1,206,549</b></u>

The accompanying notes are an integral part of these financial statements.

**Munising Public Schools**

**Governmental Funds**

**Balance Sheet**

**June 30, 2006**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,038,366	\$ 88,179	\$ 16,858	\$ 2,143,403
Investments	-	242,909	-	242,909
Receivables:				
Accounts receivable	15,354	-	5,177	20,531
Delinquent property taxes	-	3,964	-	3,964
Due from other funds	-	-	112,310	112,310
Due from other governmental units	1,072,141	-	-	1,072,141
Inventories	49,504	-	5,619	55,123
Prepaid expense	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,175,365</b>	<b>\$ 335,052</b>	<b>\$ 139,964</b>	<b>\$ 3,650,381</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Cash overdrafts	\$ -	\$ -	\$ 114,076	\$ 114,076
Accounts payable	8,855	-	2,193	11,048
Accrued liabilities	519,458	-	-	519,458
Due to other funds	112,310	-	-	112,310
Deferred revenue	21,427	-	-	21,427
<b>TOTAL LIABILITIES</b>	<b>662,050</b>	<b>-</b>	<b>116,269</b>	<b>778,319</b>
<b>FUND BALANCES:</b>				
Designated for:				
School service activities	-	-	14,902	14,902
Athletic activities	-	-	-	-
Public Library activities	-	-	8,793	8,793
Retirement of debt	-	335,052	-	335,052
Future state aid adjustments	100,000	-	-	100,000
Unreserved:				
Undesignated	2,413,315	-	-	2,413,315
<b>TOTAL FUND BALANCES</b>	<b>2,513,315</b>	<b>335,052</b>	<b>23,695</b>	<b>2,872,062</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,175,365</b>	<b>\$ 335,052</b>	<b>\$ 139,964</b>	<b>\$ 3,650,381</b>

The accompanying notes are an integral part of these financial statements.

**Munising Public Schools**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

**June 30, 2006**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>2,872,062</b>
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	12,783,408	
Accumulated depreciation	<u>(8,037,105)</u>	
		4,746,303

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds		44,689
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Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	649,701	
Bonds payable - long term	4,315,053	
Deferred premium on refunding bonds	316,786	
Deferred gain on refunding bonds	140,531	
Employee benefits payable	<u>1,034,434</u>	
		(6,456,505)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

<b>\$</b>	<b><u>1,206,549</u></b>
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The accompanying notes are an integral part of these financial statements.

**Munising Public Schools**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>REVENUES:</b>				
Property taxes	\$ 1,283,835	\$ 629,360	\$ -	\$ 1,913,195
Federal sources	347,695	-	137,553	485,248
State Aid	5,144,378	6,512	21,619	5,172,509
Local sources	345,122	-	258,195	603,317
Interest	81,972	51,816	-	133,788
<b>TOTAL REVENUES</b>	<b>7,203,002</b>	<b>687,688</b>	<b>417,367</b>	<b>8,308,057</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	4,101,400	-	-	4,101,400
Supporting services	2,874,176	-	-	2,874,176
Community Service	-	-	-	-
Custody and Care of Children	-	-	-	-
Payments to other governmental agencies	7,607	-	-	7,607
Facilities acquisitions	62,690	-	-	62,690
Food service activities	-	-	295,320	295,320
Athletic activities	-	-	168,347	168,347
Public Library activities	-	-	65,627	65,627
Debt Service:				
Principal	-	584,489	-	584,489
Interest	-	297,895	-	297,895
Other	-	5,055	-	5,055
<b>TOTAL EXPENDITURES</b>	<b>7,045,873</b>	<b>887,439</b>	<b>529,294</b>	<b>8,462,606</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>157,129</b>	<b>(199,751)</b>	<b>(111,927)</b>	<b>(154,549)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	(112,310)	-	112,310	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(112,310)</b>	<b>-</b>	<b>112,310</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>44,819</b>	<b>(199,751)</b>	<b>383</b>	<b>(154,549)</b>
Fund Balance, July 1	2,468,496	534,803	23,312	3,026,611
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 2,513,315</b>	<b>\$ 335,052</b>	<b>\$ 23,695</b>	<b>\$ 2,872,062</b>

The accompanying notes are an integral part of these financial statements.



# Munising Public Schools

## Governmental Funds

### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

For the Year Ended June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ (154,549)

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$	(393,696)	
Capital outlays - facilities acquisition		55,550	
Capital outlays - supporting services		140,137	
Capital outlays - instruction		<u>5,577</u>	(192,432)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

584,488

Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

(4,663)

Deferred gain on refunding bonds is reported in the governmental funds when incurred. However, for governmental activities those gains are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

14,664

The premium on refunding bonds is reported in the governmental funds when incurred. However, for governmental activities those gains are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

33,056

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(20,258)

**Change in Net Assets of Governmental Activities**

\$ 260,306

The accompanying notes are an integral part of these financial statements.

**Munising Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2006**

	<u>Totals</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$ 130,674</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 130,674</u></u>
<b>LIABILITIES:</b>	
Due to groups, organizations and activities	<u>\$ 130,674</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 130,674</u></u>

The accompanying notes are an integral part of these financial statements.

**MUNISING PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**NOTE A – THE FINANCIAL REPORTING ENTITY:**

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Munising Public Schools, Alger County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Munising Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

*Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund and Debt Service Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

### **Governmental Funds**

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Munising Public Schools are the Food Service, Athletics and Public Library Funds.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

#### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the fiduciary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

### Investments

Investments are carried at market value.

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

### Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

### Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$21,427 in the General Fund for grant funding that has been received but is unearned.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

### Expenses/Expenditures

#### District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

### Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE C – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of June 30, 2006, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Government
Cash and equivalents	\$2,029,327	\$130,674	\$2,160,001
Investments	242,909	-	242,909
	<u>\$2,272,236</u>	<u>\$130,674</u>	<u>\$2,402,910</u>

### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$2,034,331 and the bank balance was \$2,434,331. The bank balance is categorized as follows.

Amount of Petty Cash	\$665
Amount insured by the FDIC	200,000
Amount uncollateralized and uninsured	2,233,666
	<u>\$2,434,331</u>

### Investments

As of June 30, 2006, the District had the following investments.

Investment Type	Fair Value	Investment in Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Notes	<u>\$242,909</u>	<u>\$242,909</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices. Ratings are not required for the District's investment in Treasury Notes. The District's investments are in accordance with statutory authority.

### Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.



**NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governments consist of \$1,072,141 due from the State of Michigan for State Aid.

**NOTE E – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2006 is as follows:

	Governmental Activities
Accrued wages	\$349,115
MESSA payable	117,306
Accrued fringes	53,037
	<u>\$519,458</u>

**NOTE F – LONG-TERM OBLIGATIONS:**

A summary of long-term obligations at June 30, 2006, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
1978 Serial Bonds	\$500,000	\$-	\$250,000	\$250,000
School Improvement Bonds – Series 1998	59,242	-	4,488	54,754
2005 Refunding Bonds	4,990,000	-	330,000	4,660,000
Subtotal	5,549,242	-	584,488	4,964,754
Employee Benefits	1,014,176	20,258	-	1,034,434
<b>TOTAL LONG-TERM DEBT</b>	<u>\$6,563,418</u>	<u>\$20,258</u>	<u>\$584,488</u>	<u>\$5,999,188</u>

**1978 Serial Bonds  
June 30, 2006**

School Year	May 1			Total
	November 1 Interest	Interest	Principal	
2006-2007	\$7,500	\$7,500	\$250,000	\$265,000
Totals	<u>\$7,500</u>	<u>\$7,500</u>	<u>\$250,000</u>	<u>\$265,000</u>

Serial Bonds originally issued for \$5,770,000 and dated April 1, 1978, mature annually on May 1, and bear interest at a rate of 5% to 7% per annum. Interest is paid semi-annually May 1 and November 1 of each year.

Bonds maturing in the years 1992 to 2007, inclusive, are subject to call at the option of the District in reverse order, on any interest payment date after May 1, 1990, at par and accrued interest to the date fixed for redemption, plus a premium of 1% on each bond called for redemption.

**NOTE F – LONG-TERM OBLIGATIONS (Continued):**

<b>School Improvement Bonds</b>			
School Year	May 15		Total
	Interest	Principal	
2006-2007	\$1,811	\$4,701	\$6,512
2007-2008	1,586	4,926	6,512
2008-2009	1,351	5,161	6,512
2009-2010	1,106	5,406	6,512
2010-2011	848	5,664	6,512
2011-2012	3,367	22,681	26,048
2012-2013	297	6,215	6,512
Totals	<u>\$10,366</u>	<u>\$54,754</u>	<u>\$65,120</u>

The School Improvement Bonds, Series 1998 (\$92,731) dated November 24, 1998 mature annually on May 15 with interest at a rate of 4.76% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an annual appropriation from the State of Michigan.

<b>2005 Refunding Bonds</b>				
<b>June 30, 2006</b>				
School Year	November 1 Interest	May 1		Total
		Interest	Principal	
2006-2007	\$102,463	\$102,462	\$395,000	\$599,925
2007-2008	97,525	97,525	400,000	595,050
2008-2009	92,525	92,525	410,000	595,050
2009-2010	86,375	86,375	425,000	597,750
2010-2011	75,750	75,750	445,000	596,500
2011-2012	64,625	64,625	470,000	599,250
2012-2013	52,875	52,875	490,000	595,750
2013-2014	40,625	40,625	515,000	596,250
2014-2015	27,750	27,750	540,000	595,500
2015-2016	14,250	14,250	570,000	598,500
Totals	<u>\$654,763</u>	<u>\$654,762</u>	<u>\$4,660,000</u>	<u>\$5,969,525</u>

On February 2, 2005, the District issued \$4,990,000 in General Obligation Bonds with an average interest rate of 3.75% to advance refund \$5,151,305 of outstanding Capital Appreciation Bonds with an average interest rate of 7.61%. The net proceeds of \$5,384,260 (after payment of \$86,355 in underwriting fees, insurance, and other issuance costs) plus an additional \$117,000 Debt Retirement Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation Bonds. As a result, the Capital Appreciation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$161,305. This difference, reported in the accompanying financial statements as a component of bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by \$2,047,598 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,332,212.

## NOTE F – LONG-TERM OBLIGATIONS (Continued):

As of June 30, 2006 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

	Principal	Interest	Total
2006-2007	\$649,701	\$221,736	\$871,437
2007-2008	404,926	196,636	601,562
2008-2009	415,161	186,401	601,562
2009-2010	430,406	173,856	604,262
2010-2011	450,664	152,348	603,012
2011-2012	492,681	132,617	625,298
2012-2013	496,215	106,047	602,262
2013-2014	515,000	81,250	596,250
2014-2015	540,000	55,500	595,500
2015-2016	570,000	28,500	598,500
Totals	<u>\$4,964,754</u>	<u>\$1,334,891</u>	<u>\$6,299,645</u>

## NOTE G – EMPLOYEE BENEFITS – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. Teachers meeting the requirements for retirement are paid \$200 per day up to 130 days of unused accumulated sick leave to be paid over three years in equal installments. Also upon retirement under the appropriate requirements the retiree is paid one month's pay based on a ten month school year at the teacher's current rate of pay excluding extracurricular pay. Other non-teaching employees are paid for sick leave based on their appropriate contract.

As of June 30, 2006 the liability for employee benefits as reported in the statement of net assets is as follows:

Sick Leave	\$560,877
Vacation Leave	60,295
Retirement	413,262
	<u>\$1,034,434</u>

## NOTE H – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance 7/01/05	Additions/ Adjustments	Deductions	Balance 6/30/06
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$167,626</u>	<u>\$-</u>	<u>\$-</u>	<u>\$167,626</u>
Subtotal	<u>167,626</u>	<u>-</u>	<u>-</u>	<u>167,626</u>
Capital assets being depreciated:				
Land improvements	444,336	5,937	-	450,273
Buildings	8,745,143	28,764	-	8,773,907
Equipment	2,646,890	120,488	-	2,767,378
Vehicles and buses	276,216	348,008	-	624,224
Total Capital Assets Being Depreciated	<u>11,944,959</u>	<u>503,197</u>	<u>-</u>	<u>12,615,782</u>
Less accumulated depreciation:				
Land improvements	(365,568)	(5,190)	-	(370,758)
Buildings	(4,819,900)	(166,961)	-	(4,986,861)
Equipment	(2,053,106)	(205,034)	-	(2,258,140)
Vehicle and buses	(102,902)	(318,444)	-	(421,346)
Total Accumulated Depreciation	<u>(7,341,476)</u>	<u>(695,629)</u>	<u>-</u>	<u>(8,307,105)</u>
Governmental Activities Capital Assets, Net	<u>\$4,938,735</u>	<u>\$(192,432)</u>	<u>\$-</u>	<u>\$4,746,303</u>

## NOTE H – CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Adjustment to add old buses to Capital Assets that were fully depreciated	\$301,933
Unallocated	393,696
Total Governmental Activities Depreciation Expense	<u>\$695,629</u>

## NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District designates fund equities for the following funds:

General Fund – \$100,000 is reserved for future state aid adjustments due to changes with taxable value homestead changes during the fiscal year.

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

## NOTE J – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2005 – August 2006.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

## NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Munising Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

	Interfund Receivable		Interfund Payable
Athletic Fund	<u>\$112,310</u>	General Fund	<u>\$112,310</u>

**NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS) (Continued):**

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	Operating Transfers In		Operating Transfers Out
Athletic Fund	\$112,310	General Fund	\$112,310

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE L – NONMONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$23,789 during fiscal 2006 in revenues and expenditures for USDA commodities.

**NOTE M – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2005 totaled \$135,514,768 (\$61,369,148) designated as Homestead and \$74,145,620 designated as Non-Homestead). The total tax levy consists of 18.0000 mills for the General Fund and 4.6 mills for debt retirement.

**NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

## **NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2005 and 16.34% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$743,998 which consisted of \$658,814 from the School District and \$85,184 from employees electing the MIP option. These represent approximately 16% and 2% of covered payroll, respectively. The School District's contributions to MPERS for 2005 and 2004 were \$580,369 and \$545,942, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$4,101,973. The School District's total payroll was approximately \$4,196,491.

Post Employment Benefits – Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

The District is not responsible for the payment of retirement benefits and health insurance which is the responsibility of the State of Michigan. MPERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPERS, at MPERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

## **NOTE O – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

**NOTE P – ECONOMIC DEPENDENCY:**

The School District received approximately 71 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Munising. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

## REQUIRED SUPPLEMENTAL INFORMATION



**Munising Public Schools**

**General Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 1,509,527	\$ 1,618,091	\$ 1,710,929	\$ 108,564	\$ 92,838
State sources	4,831,231	5,127,645	5,144,378	296,414	16,733
Federal sources	304,529	348,689	347,695	44,160	(994)
<b>TOTAL REVENUES</b>	<b>6,645,287</b>	<b>7,094,425</b>	<b>7,203,002</b>	<b>449,138</b>	<b>108,577</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic Programs	3,139,605	3,220,933	3,186,954	(81,328)	33,979
Added Needs	897,094	923,440	914,446	(26,346)	8,994
Adult/Continuing education	-	-	-	-	-
<b>Total Instruction</b>	<b>4,036,699</b>	<b>4,144,373</b>	<b>4,101,400</b>	<b>(107,674)</b>	<b>42,973</b>
<b>Supporting Services:</b>					
Pupil services	144,635	160,982	159,515	(16,347)	1,467
Instructional staff	347,732	420,717	413,654	(72,985)	7,063
General administration	266,944	262,487	255,030	4,457	7,457
School administration	474,125	480,150	479,318	(6,025)	832
Fiscal services	187,312	182,822	179,325	4,490	3,497
Operation and maintenance	961,107	955,687	932,317	5,420	23,370
Security	-	3,238	3,238	(3,238)	-
Pupil transportation	431,355	464,185	451,779	(32,830)	12,406
<b>Total Supporting Services</b>	<b>2,813,210</b>	<b>2,930,268</b>	<b>2,874,176</b>	<b>(117,058)</b>	<b>56,092</b>
<b>Other Functions:</b>					
Community Service	547	-	-	547	-
Custody and Care of Children	-	-	-	-	-
<b>Total Other Functions</b>	<b>547</b>	<b>-</b>	<b>-</b>	<b>547</b>	<b>-</b>
<b>Payments to Other Governmental Agencies</b>					
Other	11,742	11,742	7,607	-	4,135
<b>Total Payments to Other Government Agencies</b>	<b>11,742</b>	<b>11,742</b>	<b>7,607</b>	<b>-</b>	<b>4,135</b>
<b>Facilities Acquisition</b>					
Capital Outlay	-	63,233	62,690	(63,233)	543
<b>Total Facilities Acquisition</b>	<b>-</b>	<b>63,233</b>	<b>62,690</b>	<b>(63,233)</b>	<b>543</b>
<b>TOTAL EXPENDITURES</b>	<b>6,862,198</b>	<b>7,149,616</b>	<b>7,045,873</b>	<b>(287,418)</b>	<b>103,743</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(216,911)</b>	<b>(55,191)</b>	<b>157,129</b>	<b>161,720</b>	<b>212,320</b>
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	(125,250)	(118,000)	(112,310)	7,250	5,690
<b>NET CHANGE IN FUND BALANCE</b>	<b>(342,161)</b>	<b>(173,191)</b>	<b>44,819</b>	<b>168,970</b>	<b>218,010</b>
Fund Balance, July 1	2,468,496	2,468,496	2,468,496	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 2,126,335</b>	<b>\$ 2,295,305</b>	<b>\$ 2,513,315</b>	<b>\$ 168,970</b>	<b>\$ 218,010</b>

**Munising Public Schools**

**Debt Service Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 693,832	\$ 693,832	\$ 687,688	\$ -	\$ (6,144)
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>693,832</b>	<b>693,832</b>	<b>687,688</b>	<b>-</b>	<b>(6,144)</b>
<b>EXPENDITURES:</b>					
<b>Debt Service</b>					
Principal	584,489	584,489	584,489	-	-
Interest	297,901	297,901	297,895	-	6
Other	7,112	7,112	5,055	-	2,057
<b>TOTAL EXPENDITURES</b>	<b>889,502</b>	<b>889,502</b>	<b>887,439</b>	<b>-</b>	<b>2,063</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(195,670)</b>	<b>(195,670)</b>	<b>(199,751)</b>	<b>-</b>	<b>(4,081)</b>
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(195,670)</b>	<b>(195,670)</b>	<b>(199,751)</b>	<b>-</b>	<b>(4,081)</b>
Fund Balance, July 1	534,803	534,803	534,803	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 339,133</b>	<b>\$ 339,133</b>	<b>\$ 335,052</b>	<b>\$ -</b>	<b>\$ (4,081)</b>

## OTHER SUPPLEMENTAL INFORMATION

**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Local Sources:			
Unrestricted:			
Taxes and Penalties:			
Property Tax Levy	\$ 1,205,407	\$ 1,283,835	\$ 78,428
Other Local Sources:			
Rental of School Facilities	34,000	27,833	(6,167)
Other Local Revenue	6,940	12,811	5,871
Income from investments	83,000	81,972	(1,028)
Restricted:			
Sault Tribe Funds	24,744	24,011	(733)
Special Education - Hold Harmless	264,000	280,467	16,467
<b>TOTAL LOCAL SOURCES</b>	<u>1,618,091</u>	<u>1,710,929</u>	<u>92,838</u>
State Sources:			
Unrestricted:			
State aid	4,954,669	4,971,624	16,955
Restricted:			
At Risk	114,188	114,096	(92)
Special Education - Hold Harmless	29,505	29,505	-
Durant payment	13,452	13,453	1
Gifted and talented	131	-	(131)
Vocational education	15,700	15,700	-
<b>TOTAL STATE SOURCES</b>	<u>5,127,645</u>	<u>5,144,378</u>	<u>16,733</u>
Federal Sources:			
Unrestricted:			
Schools and Roads Grant	51,052	51,052	-
Restricted:			
Title II	51,375	51,375	-
Title IX - Indian Education	42,939	42,924	(15)
Homeland Security	3,238	3,238	-
Strong families, safe children	9,175	7,761	(1,414)
Restricted - received through the state:			
E.I.C.I.A. Title I	124,531	124,531	-
E.I.C.I.A. Title V	3,693	3,693	-
Restricted - received through MARESA:			
PA 94-142 Special Education Flow through	54,385	54,386	1
Other	8,301	8,735	434
<b>TOTAL FEDERAL SOURCES</b>	<u>348,689</u>	<u>347,695</u>	<u>(994)</u>
<b>TOTAL REVENUES</b>	<u>7,094,425</u>	<u>7,203,002</u>	<u>108,577</u>
<b>EXPENDITURES:</b>			
Instruction:			
Elementary:			
Salaries	948,890	948,030	860
Fringe benefits	488,389	482,703	5,686
Purchased services	12,417	12,382	35
Supplies and materials	39,692	38,315	1,377
Capital outlay	9,995	9,929	66
Other expenses	554	115	439
<b>TOTAL ELEMENTARY</b>	<u>1,499,937</u>	<u>1,491,474</u>	<u>8,463</u>

**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Middle/Junior High</b>			
Salaries	\$ 304,916	\$ 303,389	\$ 1,527
Fringe benefits	175,364	172,922	2,442
Purchased services	8,275	7,975	300
Supplies and materials	15,992	15,639	353
Capital outlay	4,825	4,802	23
Other expenses	1,633	1,069	564
<b>TOTAL MIDDLE/JUNIOR HIGH</b>	<u>511,005</u>	<u>505,796</u>	<u>5,209</u>
<b>High School:</b>			
Salaries	731,111	728,358	2,753
Fringe benefits	402,192	393,886	8,306
Purchased services	15,493	13,877	1,616
Supplies and materials	47,963	41,798	6,165
Capital outlay	9,233	8,785	448
Other expenses	3,999	2,980	1,019
<b>TOTAL HIGH SCHOOL</b>	<u>1,209,991</u>	<u>1,189,684</u>	<u>20,307</u>
<b>Summer School</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL SUMMER SCHOOL</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Special Education</b>			
Salaries	397,676	394,579	3,097
Fringe benefits	201,319	199,500	1,819
Purchased services	26,460	25,115	1,345
Supplies and materials	13,918	13,324	594
Capital outlay	-	-	-
Other expenses	632	675	(43)
<b>TOTAL SPECIAL EDUCATION</b>	<u>640,005</u>	<u>633,193</u>	<u>6,812</u>
<b>Compensatory Education</b>			
Salaries	167,810	167,806	4
Fringe benefits	79,010	79,005	5
Purchased services	2,597	2,580	17
Supplies and materials	9,140	8,402	738
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL COMPENSATORY EDUCATION</b>	<u>258,557</u>	<u>257,793</u>	<u>764</u>
<b>Career and Technical Education</b>			
Salaries	7,014	5,956	1,058
Fringe benefits	1,685	1,429	256
Purchased services	1,074	1,016	58
Supplies and materials	1,103	1,058	45
Capital outlay	14,002	14,001	1
Other expenses	-	-	-
<b>TOTAL CAREER AND TECHNICAL EDUCATION</b>	<u>24,878</u>	<u>23,460</u>	<u>1,418</u>
<b>TOTAL INSTRUCTION</b>	<u>4,144,373</u>	<u>4,101,400</u>	<u>42,973</u>

**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Supporting Services:</b>			
<b>Pupil Services:</b>			
<b>Guidance:</b>			
Salaries	\$ 21,096	\$ 21,095	\$ 1
Fringe benefits	13,677	13,587	90
Purchased services	1,450	1,116	334
Supplies and materials	981	235	746
Capital outlay	300	252	48
Other expenses	-	-	-
<b>TOTAL GUIDANCE</b>	<u>37,504</u>	<u>36,285</u>	<u>1,219</u>
<b>Health:</b>			
Salaries	11,914	11,907	7
Fringe benefits	2,858	2,839	19
Purchased services	-	-	-
Supplies and materials	899	899	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL HEALTH</b>	<u>15,671</u>	<u>15,645</u>	<u>26</u>
<b>Speech Pathology and Audiology</b>			
Salaries	46,817	46,685	132
Fringe benefits	26,961	26,876	85
Purchased services	63	63	-
Supplies and materials	893	893	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL SPEECH PATHOLOGY AND AUDIOLOGY</b>	<u>74,734</u>	<u>74,517</u>	<u>217</u>
<b>Teacher Consultants</b>			
Salaries	9,285	9,284	1
Fringe benefits	2,229	2,227	2
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL TEACHER CONSULTANTS</b>	<u>11,514</u>	<u>11,511</u>	<u>3</u>
<b>Other Pupil Support</b>			
Salaries	17,415	17,414	1
Fringe benefits	4,144	4,143	1
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL OTHER PUPIL SUPPORT</b>	<u>21,559</u>	<u>21,557</u>	<u>2</u>
<b>TOTAL PUPIL SERVICES</b>	<u>160,982</u>	<u>159,515</u>	<u>1,467</u>

**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Instructional Staff:</b>			
<b>Improvement of Instruction:</b>			
Salaries	\$ 1,716	\$ 1,716	\$ -
Fringe benefits	413	410	3
Purchased services	5,314	5,314	-
Supplies and materials	5,647	5,647	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL IMPROVEMENT OF INSTRUCTION</b>	<u>13,090</u>	<u>13,087</u>	<u>3</u>
<b>Educational Media:</b>			
Salaries	27,690	27,683	7
Fringe benefits	8,405	8,376	29
Purchased services	4,000	3,487	513
Supplies and materials	5,068	4,991	77
Capital outlay	1,850	1,850	-
Other expenses	282	282	-
<b>TOTAL EDUCATION MEDIA</b>	<u>47,295</u>	<u>46,669</u>	<u>626</u>
<b>Technology Assisted</b>			
Salaries	55,082	55,082	-
Fringe benefits	29,358	29,351	7
Purchased services	28,438	22,423	6,015
Supplies and materials	42,845	42,473	372
Capital outlay	137,011	136,987	24
Other expenses	-	-	-
<b>TOTAL TECHNOLOGY ASSISTED</b>	<u>292,734</u>	<u>286,316</u>	<u>6,418</u>
<b>Supervision and Direction</b>			
Salaries	49,941	49,940	1
Fringe benefits	17,657	17,642	15
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL SUPERVISION AND DIRECTION</b>	<u>67,598</u>	<u>67,582</u>	<u>16</u>
<b>TOTAL INSTRUCTIONAL STAFF</b>	<u>420,717</u>	<u>413,654</u>	<u>7,063</u>
<b>General Administration:</b>			
<b>Board of Education</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	27,872	22,621	5,251
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	6,020	3,845	2,175
<b>TOTAL BOARD OF EDUCATION</b>	<u>33,892</u>	<u>26,466</u>	<u>7,426</u>

**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Executive Administration</b>			
Salaries	\$ 122,586	\$ 122,585	\$ 1
Fringe benefits	89,696	89,674	22
Purchased services	7,860	7,859	1
Supplies and materials	1,336	1,336	-
Capital outlay	3,723	3,723	-
Other expenses	3,394	3,387	7
<b>TOTAL EXECUTIVE ADMINISTRATION</b>	<u>228,595</u>	<u>228,564</u>	<u>31</u>
<b>TOTAL GENERAL ADMINISTRATION</b>	<u>262,487</u>	<u>255,030</u>	<u>7,457</u>
<b>School Administration:</b>			
<b>Office of the Principal</b>			
Salaries	308,659	308,286	373
Fringe benefits	169,876	169,417	459
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	1,615	1,615	-
<b>TOTAL OFFICE OF THE PRINCIPAL</b>	<u>480,150</u>	<u>479,318</u>	<u>832</u>
<b>TOTAL SCHOOL ADMINISTRATION</b>	<u>480,150</u>	<u>479,318</u>	<u>832</u>
<b>Business Services:</b>			
<b>Fiscal Services:</b>			
Salaries	88,652	88,652	-
Fringe benefits	54,580	54,577	3
Purchased services	29,273	25,807	3,466
Supplies and materials	2,335	2,307	28
Capital outlay	2,800	2,800	-
Other expenses	-	-	-
<b>TOTAL FISCAL SERVICES</b>	<u>177,640</u>	<u>174,143</u>	<u>3,497</u>
<b>Other Business Services:</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	5,182	5,182	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL OTHER BUSINESS SERVICES</b>	<u>5,182</u>	<u>5,182</u>	<u>-</u>
<b>TOTAL BUSINESS SERVICES</b>	<u>182,822</u>	<u>179,325</u>	<u>3,497</u>
<b>Operation and Maintenance:</b>			
Salaries	282,324	280,096	2,228
Fringe benefits	163,445	161,953	1,492
Purchased services	131,463	124,283	7,180
Supplies and materials	330,960	324,575	6,385
Capital outlay	46,579	40,496	6,083
Other expenses	916	914	2
<b>TOTAL OPERATION AND MAINTENANCE</b>	<u>955,687</u>	<u>932,317</u>	<u>23,370</u>



**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Security:</b>			
Salaries	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	3,238	3,238	-
Other expenses	-	-	-
<b>TOTAL SECURITY</b>	<u>3,238</u>	<u>3,238</u>	<u>-</u>
<b>Pupil Transportation</b>			
Salaries	201,592	201,066	526
Fringe benefits	71,676	71,471	205
Purchased services	44,519	42,338	2,181
Supplies and materials	75,114	65,655	9,459
Capital outlay	70,083	70,048	35
Other expenses	1,201	1,201	-
<b>TOTAL PUPIL TRANSPORTATION</b>	<u>464,185</u>	<u>451,779</u>	<u>12,406</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>2,930,268</u>	<u>2,874,176</u>	<u>56,092</u>
<b>Community Service</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL COMMUNITY SERVICE</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Custody and Care of Children</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL CUSTODY AND CARE OF CHILDREN</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Payments to Other Governmental Agencies</b>			
Title II, Part A - SAM Transfer	1,157	1,157	-
Americorp	6,450	6,450	-
Indirect Costs	4,135	-	4,135
<b>TOTAL PAYMENTS TO OTHER GOVERNMENTAL AGENCIES</b>	<u>11,742</u>	<u>7,607</u>	<u>4,135</u>
<b>Facilities Acquisition</b>			
Capital Outlay	63,233	62,690	543
<b>TOTAL FACILITIES ACQUISITION</b>	<u>63,233</u>	<u>62,690</u>	<u>543</u>
<b>TOTAL EXPENDITURES</b>	<u>7,149,616</u>	<u>7,045,873</u>	<u>103,743</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(55,191)</u>	<u>157,129</u>	<u>212,320</u>

**Munising Public Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other Financing Sources (Uses):</b>			
<b>Transfers In (Out):</b>			
Lunch Fund	\$ -	\$ -	\$ -
Athletic Fund	(118,000)	(112,310)	5,690
Public Library Fund	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>(118,000)</u>	<u>(112,310)</u>	<u>5,690</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 (173,191)	 44,819	 218,010
 Fund Balance, July 1	 <u>2,468,496</u>	 <u>2,468,496</u>	 <u>-</u>
 <b>FUND BALANCE, JUNE 30</b>	 <u><u>\$ 2,295,305</u></u>	 <u><u>\$ 2,513,315</u></u>	 <u><u>\$ 218,010</u></u>

**Munising Public Schools**

**Debt Service Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Taxes and penalties	\$ 634,520	\$ 629,360	\$ (5,160)
State aid	6,512	6,512	-
Interest	52,800	51,816	(984)
<b>TOTAL REVENUES</b>	<b>693,832</b>	<b>687,688</b>	<b>(6,144)</b>
<b>EXPENDITURES:</b>			
Principal payments	584,489	584,489	-
Interest	297,901	297,895	6
Other	7,112	5,055	2,057
<b>TOTAL EXPENDITURES</b>	<b>889,502</b>	<b>887,439</b>	<b>2,063</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(195,670)</b>	<b>(199,751)</b>	<b>(4,081)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(195,670)</b>	<b>(199,751)</b>	<b>(4,081)</b>
Fund Balance, July 1	534,803	534,803	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 339,133</b>	<b>\$ 335,052</b>	<b>\$ (4,081)</b>

**Munising Public Schools**

**Non-Major Funds**

**Combining Balance Sheet**

**June 30, 2006**

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>School Lunch Fund</b>	<b>Athletic Fund</b>	<b>Public Library Fund</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 6,227	\$ 2,000	\$ 8,631	\$ 16,858
Accounts receivable	3,056	-	2,121	5,177
Due from other funds	-	112,310	-	112,310
Inventory	5,619	-	-	5,619
<b>TOTAL ASSETS</b>	<b>\$ 14,902</b>	<b>\$ 114,310</b>	<b>\$ 10,752</b>	<b>\$ 139,964</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Cash overdrafts	\$ -	\$ 114,076	\$ -	\$ 114,076
Accounts payable	-	234	1,959	2,193
Accrued liabilities	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>114,310</b>	<b>1,959</b>	<b>116,269</b>
<b>FUND BALANCES:</b>				
Reserved for school service activities	14,902	-	8,793	23,695
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,902</b>	<b>\$ 114,310</b>	<b>\$ 10,752</b>	<b>\$ 139,964</b>

**Munising Public Schools**

**Non-Major Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2006**

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>School Lunch Fund</b>	<b>Athletic Fund</b>	<b>Public Library Fund</b>	
<b>REVENUES:</b>				
Athletic activities	\$ -	\$ 56,037	\$ -	\$ 56,037
School lunch activities	145,420	-	-	145,420
Public library activities	-	-	56,738	56,738
State aid	21,619	-	-	21,619
Federal sources	137,553	-	-	137,553
<b>TOTAL REVENUES</b>	<b>304,592</b>	<b>56,037</b>	<b>56,738</b>	<b>417,367</b>
<b>EXPENDITURES:</b>				
School lunch activities	295,320	-	-	295,320
Athletic activities	-	168,347	-	168,347
Public library activities	-	-	65,627	65,627
<b>TOTAL EXPENDITURES</b>	<b>295,320</b>	<b>168,347</b>	<b>65,627</b>	<b>529,294</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,272</b>	<b>(112,310)</b>	<b>(8,889)</b>	<b>(111,927)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	-	112,310	-	112,310
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>112,310</b>	<b>-</b>	<b>112,310</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,272</b>	<b>-</b>	<b>(8,889)</b>	<b>383</b>
Fund Balance, July 1	5,630	-	17,682	23,312
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 14,902</b>	<b>\$ -</b>	<b>\$ 8,793</b>	<b>\$ 23,695</b>

**Munising Public Schools**

**School Lunch Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
School lunch activities	\$ 145,860	\$ 145,420	\$ (440)
State aid	21,619	21,619	-
Federal sources	<u>138,100</u>	<u>137,553</u>	<u>(547)</u>
<b>TOTAL REVENUES</b>	<u>305,579</u>	<u>304,592</u>	<u>(987)</u>
<b>EXPENDITURES:</b>			
School lunch activities:			
Salaries	103,000	102,046	954
Fringe benefits	61,066	60,447	619
Purchased services	842	430	412
Supplies and materials	139,949	131,787	8,162
Capital outlay	110	-	110
Other expenses	<u>612</u>	<u>610</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>305,579</u>	<u>295,320</u>	<u>10,259</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>9,272</u>	<u>9,272</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>9,272</u>	<u>9,272</u>
Fund Balance, July 1	<u>5,630</u>	<u>5,630</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 5,630</u></u>	<u><u>\$ 14,902</u></u>	<u><u>\$ 9,272</u></u>

**Munising Public Schools**

**Athletic Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Athletic activities	\$ 53,108	\$ 56,037	\$ 2,929
<b>TOTAL REVENUES</b>	<u>53,108</u>	<u>56,037</u>	<u>2,929</u>
<b>EXPENDITURES:</b>			
Athletic activities:			
Salaries	97,963	97,959	4
Fringe benefits	24,033	24,033	-
Purchased services	27,974	26,283	1,691
Supplies and materials	17,450	16,384	1,066
Capital outlay	-	-	-
Other expenses	<u>3,688</u>	<u>3,688</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>171,108</u>	<u>168,347</u>	<u>2,761</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(118,000)</u>	<u>(112,310)</u>	<u>5,690</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out)	<u>118,000</u>	<u>112,310</u>	<u>(5,690)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>118,000</u>	<u>112,310</u>	<u>(5,690)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Munising Public Schools**

**Public Library Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Public library revenue	\$ 69,273	\$ 56,738	\$ (12,535)
<b>TOTAL REVENUES</b>	<u>69,273</u>	<u>56,738</u>	<u>(12,535)</u>
<b>EXPENDITURES:</b>			
Bookstore activities:			
Salaries	36,699	36,692	7
Fringe benefits	10,663	10,478	185
Purchased services	10,086	9,649	437
Supplies and materials	5,593	5,163	430
Capital outlay	6,022	3,436	2,586
Other expenses	210	209	1
<b>TOTAL EXPENDITURES</b>	<u>69,273</u>	<u>65,627</u>	<u>3,646</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(8,889)	(8,889)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	(8,889)	(8,889)
Fund Balance, July 1	17,682	17,682	-
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 17,682</u>	<u>\$ 8,793</u>	<u>\$ (8,889)</u>



**Munising Public Schools**  
**Student Activity Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2006**

	Balance July 1	Additions	Deductions	Balance June 30
<b>ASSETS</b>				
Cash and cash equivalents	\$ 126,614	\$ 224,584	\$ 220,524	\$ 130,674
<b>TOTAL ASSETS</b>	<u>\$ 126,614</u>	<u>\$ 224,584</u>	<u>\$ 220,524</u>	<u>\$ 130,674</u>
<b>LIABILITIES</b>				
Due to others	\$ 126,614	\$ 224,584	\$ 220,524	\$ 130,674
<b>TOTAL LIABILITIES</b>	<u>\$ 126,614</u>	<u>\$ 224,584</u>	<u>\$ 220,524</u>	<u>\$ 130,674</u>

## COMPLIANCE SECTION



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

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MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Munising Public Schools  
Munising, Michigan 49862

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools as of and for the year ended June 30, 2006, which collectively comprise the Munising Public School's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Munising Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Munising Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 25, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

August 25, 2006

To the Honorable President and School Board  
Of Munising Public Schools  
411 Elm Avenue  
Munising, MI 49862

We have audited the financial statements of the Munising Public Schools for the year ended June 30, 2006, and has issued our report thereon dated August 25, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Munising Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Munising Public School's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Munising Public Schools are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Munising Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable President and School Board  
Of Munising Public Schools

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Munising Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Munising Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Munising Public School's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Munising Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Conclusion**

This information is intended solely for the use of the Munising Public School Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants